

Condensed Interim Financial Statements
(Expressed in Canadian dollars)

NEXJ SYSTEMS INC.

Three months ended March 31, 2012 and 2011
(Unaudited)

NEXJ SYSTEMS INC.

Condensed Interim Statements of Financial Position
(Expressed in thousands of Canadian dollars)
(Unaudited)

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 54,265	\$ 56,218
Short-term investments	–	4,068
Accounts receivable	13,586	4,128
Investment and other tax credits receivable	2,885	2,801
Prepaid expenses and other assets	763	1,323
Total current assets	71,499	68,538
Non-current assets:		
Property and equipment	4,462	4,596
Other assets	260	260
Total non-current assets	4,722	4,856
Total assets	\$ 76,221	\$ 73,394
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,726	\$ 4,805
Current portion of obligations under capital leases	24	41
Deferred revenue	6,767	2,097
Total current liabilities	12,517	6,943
Non-current liabilities:		
Accrued liabilities	612	1,053
Deferred revenue	1,076	–
Total non-current liabilities	1,688	1,053
Total liabilities	14,205	7,996
Shareholders' equity:		
Share capital (note 3)	80,691	79,831
Share purchase loans (note 3)	(3,698)	(3,803)
Contributed surplus (note 3)	4,195	4,034
Deficit	(19,172)	(14,664)
Total shareholders' equity	62,016	65,398
Total liabilities and shareholders' equity	\$ 76,221	\$ 73,394

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

Condensed Interim Statements of Comprehensive Loss
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended March 31,	
	2012	2011
Revenue:		
License fees	\$ 649	\$ 3,736
Professional services	4,303	3,501
Maintenance and support	1,184	508
	<u>6,136</u>	<u>7,745</u>
Expenses*:		
Professional service costs	2,679	2,181
Research and development, net	3,712	3,352
Sales and marketing	2,062	2,245
General and administrative	2,178	1,920
	<u>10,631</u>	<u>9,698</u>
Loss from operations	(4,495)	(1,953)
Foreign exchange loss	(168)	(515)
Finance income	156	43
Finance costs	(1)	(1)
	<u>(13)</u>	<u>(473)</u>
Loss before income taxes	(4,508)	(2,426)
Income taxes	-	-
Loss and comprehensive loss for the period	\$ (4,508)	\$ (2,426)
Loss per share (note 5):		
Basic and diluted	\$ (0.23)	\$ (0.16)
*Share-based payment expense has been included in expenses as follows:		
Professional service costs	\$ 63	\$ 116
Research and development, net	114	221
Sales and marketing	78	360
General and administrative	115	257
	<u>\$ 370</u>	<u>\$ 954</u>

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

Condensed Interim Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars and shares)
(Unaudited)

Three months ended March 31, 2012	Share capital Number*	Amount	Share purchase loans	Contributed surplus	Deficit	Total shareholders' equity
Balance, January 1, 2012	19,675	\$ 79,831	\$ (3,803)	\$ 4,034	\$ (14,664)	\$ 65,398
Comprehensive loss for the period	–	–	–	–	(4,508)	(4,508)
Share-based payment expense (note 4)	–	–	–	370	–	370
Exercise of stock options	4	40	–	(24)	–	16
Repayment of share purchase loans by employees (note 3)	17	–	105	–	–	105
Exercise of stock options by agents of private placement (note 4)	110	820	–	(185)	–	635
Balance, March 31, 2012	19,806	\$ 80,691	\$ (3,698)	\$ 4,195	\$ (19,172)	\$ 62,016

*For accounting purposes, common shares issued pursuant to the share loan and pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. At March 31, 2012, 972 common shares were legally issued and outstanding to employees in connection with these agreements and were included in the total outstanding common shares of 20,778.

Three months ended March 31, 2011	Share capital Number*	Amount	Share purchase loans	Contributed surplus	Deficit	Total shareholders' equity
Balance, January 1, 2011	14,704	\$ 35,455	\$ –	\$ 2,196	\$ (7,121)	\$ 30,530
Comprehensive loss for the period	–	–	–	–	(2,426)	(2,426)
Share-based payment expense (note 4)	–	–	–	954	–	954
Exercise of stock options	3	13	–	(4)	–	9
Issuance of common shares to employees (note 3)	–	3,745	(3,745)	–	–	–
Balance, March 31, 2011	14,707	\$ 39,213	\$ (3,745)	\$ 3,146	\$ (9,547)	\$ 29,067

*For accounting purposes, common shares issued pursuant to the share loan and pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances. At March 31, 2011, 971 common shares were legally issued and outstanding to employees in connection with these agreements and were included in the total outstanding common shares of 15,678.

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

Condensed Interim Statements of Cash Flows
(Expressed in thousands of Canadian dollars)
(Unaudited)

	Three months ended March 31,	
	2012	2011
Cash flows from operating activities:		
Loss for the period	\$ (4,508)	\$ (2,426)
Adjustments for:		
Depreciation and amortization	289	182
Share-based payment expense	370	954
Finance income	(156)	(43)
Finance costs	1	1
Foreign exchange loss	122	343
Change in non-cash operating working capital:		
Accounts receivable	(9,458)	1,766
Prepaid expenses and other assets	560	(252)
Investment and other tax credits receivable	(84)	(400)
Accounts payable and accrued liabilities	338	(877)
Deferred revenue	5,746	(2,554)
Net cash flows used in operating activities	(6,780)	(3,306)
Cash flows from financing activities:		
Obligations under capital leases	(17)	(17)
Exercise of employee stock options	16	9
Exercise of agent stock options	635	-
Repayment of share purchase loans	105	-
Financing costs	-	(553)
Interest paid	(1)	(1)
Net cash flows from (used in) financing activities	738	(562)
Cash flows from investing activities:		
Purchase of property and equipment	(13)	(177)
Redemption of short-term investments	3,986	4,823
Interest received	156	43
Decrease in other long-term assets	-	56
Net cash flows from investing activities	4,129	4,745
Effects of exchange rate changes on cash and cash equivalents	(40)	(96)
Increase (decrease) in cash and cash equivalents	(1,953)	781
Cash and cash equivalents, beginning of period	56,218	23,942
Cash and cash equivalents, end of period	\$ 54,265	\$ 24,723
Supplemental cash flow information:		
Acquisition of property and equipment not yet paid for	\$ 142	\$ 205

See accompanying notes to the condensed interim financial statements.

NEXJ SYSTEMS INC.

Notes to Condensed Interim Financial Statements
(Expressed in thousands of Canadian dollars, except per share amounts)

Three months ended March 31, 2012 and 2011
(Unaudited)

1. Reporting entity:

NexJ Systems Inc. (the "Company") is incorporated in Canada with its corporate headquarters located at 4101 Yonge Street, Suite 706, Toronto, Ontario, M2P 1N6.

The Company is a provider of cloud-based enterprise customer relationship management solutions primarily for the financial services, insurance and healthcare industries.

2. Basis of preparation:

(a) Statement of compliance:

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board and on a basis consistent with the accounting policies disclosed in the annual audited financial statements as at and for the year ended December 31, 2011. The notes presented in these condensed interim financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. These condensed interim financial statements should be read in conjunction with the annual audited financial statements, including the notes thereto, for the year ended December 31, 2011.

These condensed interim financial statements were approved by the Board of Directors on May 8, 2012.

(b) Basis of measurement:

These condensed interim financial statements have been prepared mainly under the historical cost basis. Other measurement bases used are described in the applicable notes.

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Notes to Condensed Interim Financial Statements (continued)
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3. Share capital:

On March 28, 2011, in preparation of its initial public offering, the Company entered into loan and share pledge agreements with certain employees and officers ("Exercise Persons") in order to reduce the amount of the Company's outstanding option pool. The participating employees were given an interest-free share purchase loan to exercise all of the options as of March 28, 2011, which were originally scheduled to vest on or prior to December 31, 2011. The Company provided \$3,745 in share purchase loans to facilitate the issuance of 970,898 common shares as a result of the acceleration involving the exercise of the applicable employee stock options. On May 2, 2011, as part of the March 28, 2011 agreements, the Company provided an additional \$97 in share purchase loans to facilitate the issuance of 28,123 common shares as a result of the acceleration involving the exercise of the applicable employee stock options.

These shares acquired upon exercise of the employee stock options are pledged as security against the share purchase loans and are held as security by the Company until such time as the individual loans are repaid. The share purchase loans are immediately due and payable to the Company upon the sale of the common shares or upon the termination of employment, subject to certain conditions being met. Despite their legal form, the share purchase loans are accounted for similar to the grant of an option under IFRS. As such, for accounting purposes, the common shares issued and the share purchase loans granted under the loan and share pledge agreements are not recognized as outstanding until such time as payments are received on the loan balances.

At March 31, 2012, 971,834 common shares for proceeds of \$3,698 were held as security by the Company with respect to the share loan and pledge agreements.

In addition, the Company and the Exercise Persons entered into a non-binding retention bonus agreement dated March 28, 2011, pursuant to which each Exercise Person was allocated a retention bonus in the amount of their respective share purchase loan, which could vest in a future period at the sole discretion of the Company and may be paid in instalments over a three-year period.

For the three months ended March 31, 2012, the Company expensed \$131 (2011 - nil) relating to these retention bonuses for certain Exercise Persons.

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Notes to Condensed Interim Financial Statements (continued)
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4. Share-based payment arrangements:

At March 31, 2012, the Company had the following share-based payment arrangements:

(a) Stock option plan:

- (i) The total share-based payment expense and the amount credited to contributed surplus, with respect to the 2011 Option Plan, for the three months ended March 31, 2012 was \$370 (2011 - \$954).
- (ii) In April 2010, the Company issued 208,696 stock options to the agents of the private placement transaction that took place in 2010. These options were issued at an exercise price of \$5.75 and expire on March 31, 2012. In March 2012, the agents exercised 110,469 options for gross proceeds of \$635. In October 2011, the agents exercised 98,087 options for gross proceeds of \$564. The remaining 140 options expired on March 31, 2012.
- (iii) The Company accelerated the vesting of certain employee stock options enabling them to be exercised as of March 28, 2011. As a result, the Company recorded an additional share-based payment expense for the three months ended March 31, 2012 of nil (2011 - \$330).

The following table outlines the activity for stock options for the three months ended March 31, 2012 and 2011:

	2012		2011	
	Number of options (000s)	Weighted average exercise price	Number of options (000s)	Weighted average exercise price
Outstanding, beginning of period	1,391	\$ 6.08	2,174	\$ 4.60
Granted	173	7.76	—	—
Exercised	(4)	4.12	(974)	3.85
Cancelled	(22)	7.73	(20)	5.23
Outstanding, end of period	1,538	6.25	1,180	5.20
Exercisable	236	\$ 4.44	93	\$ 2.92

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Notes to Condensed Interim Financial Statements (continued)
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4. Share-based payment arrangements (continued):

At March 31, 2012, the following table provides the outstanding options at their respective exercise prices and the related weighted average remaining contractual life:

Exercise price	Number outstanding (000s)	Weighted average remaining contractual life (years)
\$2.50	75	6.23
3.50	150	7.50
5.75	623	8.17
6.00	166	8.71
6.85	7	6.72
7.65	53	6.60
7.76	172	6.94
8.11	95	6.34
8.25	11	6.21
9.00	186	6.13
	1,538	7.50

(b) Deferred share units ("DSUs"):

In November 2011, the Company granted 29,412 DSUs amounting to \$225 to the independent members of the Board of Directors as their 2011 annual remuneration for the services rendered on the Company's Board. These DSUs vest immediately and the DSUs will only be settled in cash and will be paid out when the Board member is no longer rendering service to the Company. Accordingly, the Company has treated these arrangements as cash-settled awards and has recorded the changes in the fair value of the award of \$9 (2011 - nil) in the profit or loss using the Company's share price as at March 31, 2012.

As at March 31, 2012, the total accrual for these DSUs was \$201 (2011 - 210) which was included in non-current liabilities.

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Notes to Condensed Interim Financial Statements (continued)
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5. Loss per share:

The following table sets forth the calculation of basic and diluted loss per share:

	Three months ended March 31,	
	2012	2011
Numerator:		
Loss for the period	\$ (4,508)	\$ (2,426)
Denominator:		
Weighted average number of shares:		
Basic	19,692	14,705
Loss per share:		
Basic and diluted	\$ (0.23)	\$ (0.16)

During the three months ended March 31, 2012, there were 485 (2011 - 1,632) weighted average outstanding stock options and common share unit options, as applicable, excluded from the computation of diluted loss per share as they were anti-dilutive.

6. Segment reporting:

The Company is organized and operates as one operating segment for purposes of making operating decisions and assessing performance. The chief operating decision makers evaluate performance, make operating decisions, and allocate resources based on financial data consistent with the presentation in these condensed interim financial statements.

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Notes to Condensed Interim Financial Statements (continued)
(Expressed in thousands of Canadian dollars, except per share amounts)

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6. Segment reporting (continued):

The following information provides the required enterprise-wide disclosures:

The Company's revenue by geographic areas is as follows:

	Three months ended March 31,	
	2012	2011
United States of America	\$ 4,927	\$ 6,461
Canada	869	1,184
Europe	340	100
	<u>\$ 6,136</u>	<u>\$ 7,745</u>

All of the Company's assets are located in Canada and virtually all of the Company's expenses are incurred in Canada.

7. Contractual obligations:

- (a) The Company entered into agreements to participate in a two-year healthcare initiative with other parties, which, in part, will result in the recognition of revenue from software licenses, services and maintenance. As part of this initiative, the Company has committed to make a cash contribution of \$1,431 and provide in-kind contributions relating to project vision, planning and management. The majority of these in-kind contributions are expected to be funded through the Company's existing cost structure.
- (b) The Company has entered into an agreement with Beth Israel Deaconess Medical Center to digitize the Passport to TRUST program. The agreement is for a period of two years and the Company is committed to make financial contributions of U.S. \$1,056 over the term of the agreement and will expense these as research and development expenses in the statements of comprehensive loss.